

CanCorp



Inter-Provincial Diversified
Holdings Limited

1973 ANNUAL REPORT

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President

William Zimmerman
Secretary

Board of Directors

Joseph Philip Dawson

Joseph Frieberg

Murray Frieberg

Thomas Herbert Gooch

Murray Joseph Howe

Robert Scolnick

William Hewson Zimmerman

Trustees

The Canada Trust Company
7½% Subordinated Debentures

Auditors

Thorne Gunn & Co.
Toronto, Ontario

Head Office

Hwy. #7 and Keele Street
Concord, Ontario

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	1973	1972
Income	✓ \$ 300,379	\$ ✓ 521,989
Earnings:		
Before extraordinary items	✓ 43,362	✓ (56,226)
Extraordinary items	1,168,129	(213,775)
Net earnings	<u>1,211,491</u>	<u>(270,001)</u>
Earnings per share:		
Before extraordinary items	✓ 4¢	✓ (5¢)
Net earnings	<u>1.04</u>	<u>(23¢)</u>
Total assets	5,519,045	4,420,760
Shareholders' equity	4,181,649	3,078,398
Common shares outstanding	1,160,251	1,160,251
Equity per common share	3.26	2.26

RESOLUTE HOLDINGS LIMITED

Twelve Months Ended November 30

Sales	\$ 5,545,741	\$ 5,334,874
Net Earnings	(35,755)	(87,348)

STEINTRON INTERNATIONAL ELECTRONICS LTD.

Twelve Months Ended July 31

Sales	\$18,738,805	\$13,997,986
Net Earnings	928,607	654,197

UNITED TIRE & RUBBER CO. LIMITED

Twelve Months Ended December 31

Sales	\$18,545,532	\$16,382,295
Net Earnings	287,129	(1,228,979)

To our Shareholders

The year 1973 saw a much improved performance for the Company and its subsidiaries. Earnings before extraordinary items were \$43,362, compared to a loss of \$56,226 in 1972. Earnings after extraordinary items due mainly to the gain on the sale of our interest in Western Aluminum Products was \$1,211,491, compared to a loss of \$270,001 in 1972. Our net worth increased to a record high of \$4,181,649, while our long term debt stands at a relatively low figure of \$831,000.

The year was highlighted by the following events:

In June, we sold our interest in Western Aluminum Products for \$2,891,000 in cash. This sale improved our liquidity, increased our net worth, and enabled us to search out other promising ventures for investment.

In December, after a detailed study of the company and the industry, we purchased 41% of the outstanding common shares of Steintron International Electronics Ltd. (Listed on the Toronto and Vancouver Stock Exchanges). We have subsequently purchased additional shares to bring our interest in this company up to 49%. Steintron is a distributor and retailer of stereo and audio equipment. Sales for the 12 months ended July 31, 1973 were \$18,738,805, a 34% increase over 1972. Sales for the 6 months ended January 31, 1974 were \$14,373,817, a 49% increase over 1973. Net earnings for this period were \$563,076. Its impressive history of sales and earnings leads us to believe that this investment will prove a profitable one for the company.

The year 1973 saw a much improved performance for United Tire & Rubber Co. Limited. Consolidated sales for the year ended December 31, 1973 rose to \$18,545,532, a 13% increase over 1972. The consolidated profit for the year, after extraordinary items was \$287,129, compared to a consolidated loss of \$1,228,979 in 1972. We believe that 1973 marks a turning point in the performance of the Company. Present indications are that the high demand for United's products will be sustained, which leads us to be optimistic regarding their performance for 1974 and beyond.

Although Resolute Holdings Limited has suffered small losses in its last two fiscal years, we feel that the company will operate profitably in 1974. Measures were taken to restructure all of the company's importing divisions and the factors which contributed to the last two year's losses have been eliminated. We believe that now the company is basically in a sounder position and better equipped to produce profits.

1973 was a year of major progress, highlighted by the successful completion of significant programs and the initiation of new endeavors. We look forward to a continued earnings improvement for the year 1974.

On behalf of the Board of Directors, we would like to express our appreciation to all our shareholders for your support and encouragement.

Joseph Frieberg
President

Robert Scolnick
Vice-President

June 4, 1974

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Consolidated Statement of Income

Year ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
Income		
Investment and other income, including \$54,495 interest received from United Tire & Rubber Co. Limited (1972, \$56,959)	\$ 300,379	\$ 101,175
Interest in net income of Western Aluminum Products		420,814
	<u>300,379</u>	<u>521,989</u>
Expenses		
Interest on long term debt	84,637	99,679
Depreciation and amortization	5,098	6,578
Other expenses	150,107	114,186
	<u>239,842</u>	<u>220,443</u>
	60,537	301,546
Income taxes	<u>36,430</u>	<u>133,000</u>
	24,107	168,546
Share of earnings (losses) of other companies before extraordinary items		
Resolute Holdings Limited	(17,878)	(21,797)
United Tire & Rubber Co. Limited	37,133	(202,975)
	<u>19,255</u>	<u>(224,772)</u>
Income (loss) before extraordinary items	<u>43,362</u>	<u>(56,226)</u>
Extraordinary items		
Gain on sale of interest in Western Aluminum Products (note 2)	✓ 1,099,374	
Gain on sale of shares of other companies		164,457
Share of extraordinary earnings (losses) of other companies (note 6)		
United Tire & Rubber Co. Limited	68,755	(356,355)
Resolute Holdings Limited		(21,877)
	<u>1,168,129</u>	<u>(213,775)</u>
Net income (loss) for the year	<u>\$ 1,211,491</u>	<u>\$ (270,001)</u>
Earnings (loss) per share (note 7)		
Income (loss) before extraordinary items	4¢	(5)¢
Net income (loss) for the year	\$1.04	(23)¢

356,355
21,877
378,232

Consolidated Statement of Retained Earnings

Year ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
Balance at beginning of year	\$ 634,448	\$ 904,449
Net income (loss) for the year	<u>1,211,491</u>	<u>(270,001)</u>
Company's share of capital transactions and prior period adjustments of effectively controlled companies (note 2)	1,845,939	634,448
	<u>58,240</u>	
Excess of partnership interest over net tangible assets realized on sale of partnership	1,787,699	634,448
	<u>798,752</u>	
Balance at end of year	<u>\$ 2,586,451</u>	<u>\$ 634,448</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(incorporated under the laws of Ontario) and subsidiary company

Consolidated Balance Sheet — December 31, 1973

(with comparative figures at December 31, 1972)

ASSETS	1973	1972
Current Assets		
Cash and short term deposit	\$ 690,000	\$ 54,366
Accrued interest, dividends and accounts receivable	19,292	13,124
Principal due within one year on 9% debentures	95,000	70,000
	804,292	137,490
Mortgages and Loans receivable, of which \$100,000 in 1973 is due from effectively controlled companies	105,275	5,661
Investments (notes 2 and 5)		
Partnership, Western Aluminum Products		2,097,626
Common shares of effectively controlled companies, at equity value		
Resolute Holdings Limited	258,860	314,678
United Tire & Rubber Co. Limited	1,217,168	1,073,039
Steintron International Electronics Ltd.	2,043,782	
Preference shares of United Tire & Rubber Co. Limited, at cost	250,000	
Debentures, at cost		
United Tire & Rubber Co. Limited, 9%, maturing to June 1, 1981 (less principal included in current assets)	567,500	525,000
Indal Canada Limited, 9½%, convertible maturing March 1, 1980	250,000	250,000
Other investments, at cost	10,000	
	4,597,310	4,260,343
Fixed Assets		
Automobile, office equipment and leasehold improvements, at cost	71,935	71,935
Less accumulated depreciation and amortization	59,767	54,669
	12,168	17,266
	\$ 5,519,045	\$ 4,420,760

Approved by the Board

Director *Joseph Frieberg*Director *Robert Scolnick*

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(incorporated under the laws of Ontario) and subsidiary company

Consolidated Balance Sheet — December 31, 1973

(with comparative figures at December 31, 1972)

LIABILITIES

Current Liabilities

Bank advances (note 9)	\$ 376,720	\$
Accounts payable and accrued liabilities	59,158	62,472
Income taxes payable	70,518	110,390
Principal due within one year on long term debt (note 9)	305,000	302,500
	811,396	475,362

Long Term Debt (notes 3 and 9)

526,000	836,000
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Deferred Income Taxes

	31,000
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SHAREHOLDERS' EQUITY

Capital Stock (note 4)

Second preference shares	400,000	450,000
Common shares	1,195,198	1,195,198

1,595,198	1,645,198
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Retained Earnings

2,586,451	634,448
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Excess of partnership interest over net
tangible assets at date of acquisition

	798,752
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4,181,649	3,078,398
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\$ 5,519,045	\$ 4,420,760
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INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
Source of funds		
Income before extraordinary items	\$ 43,362	\$
Items not involving current funds		
Share of earnings before extraordinary items of other companies	(19,255)	
Depreciation and amortization	5,098	
	29,205	
Proceeds from sale of interest in Western Aluminum Products	2,891,000	
Proceeds from sale of shares of other companies		341,233
Withdrawal of funds from partnership	275,000	
Decrease in non-current portion of 9% debenture receivable	101,250	70,000
Decrease in mortgages receivable	386	5,958
	3,296,841	417,191
Application of funds		
Loss before extraordinary items		56,226
Items not involving current funds		
Share of undistributed earnings of Western Aluminum Products less losses before extraordinary items of other companies		71,042
Depreciation and amortization		(6,578)
Deferred income taxes		(31,000)
		89,690
Reduction in non-current portion of long term debt	310,000	414,108
Mortgages and loans receivable	100,000	
Investments	2,506,073	
Redemption of second preference shares	50,000	
	2,966,073	503,798
Increase (decrease) in working capital position	330,768	(86,607)
Working capital deficiency at beginning of year	337,872	251,265
Working capital deficiency at end of year	\$ 7,104	\$ 337,872

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Notes to Consolidated Financial Statements

Year ended December 31, 1973

1. Basis of consolidation

The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and its wholly owned subsidiary company, I.C.D. Realty Limited.

2. Investments

Partnership, Western Aluminum Products

Effective January 1, 1973 the company sold its 50% interest in the partnership for an amount of \$2,891,000. The gain on sale of \$1,099,374 includes a deferred income tax reduction of \$31,000.

Shares in other companies

The company owns 50% of the issued common shares of Resolute Holdings Limited.

United Tire & Rubber Co. Limited

In 1971 the company purchased one-half of the issued and outstanding shares of United Tire & Rubber Co. Limited. The company sold a portion of these shares in 1972 thereby reducing its holdings to 1,000,000 shares and acquired 28,400 shares in 1973, at cost of \$58,541, bringing its holdings to 41% of the issued shares of United. 860,000 of these shares are held in escrow and will not be released without the prior written consent of the Ontario and Quebec Securities Commissions.

Steintron International Electronics Ltd.

In 1973 the company purchased 283,650 of the issued and outstanding shares of Steintron International Electronics Ltd. The company's holdings at December 31, 1973 amount to approximately 41% of the issued shares of Steintron. Subsequent to December 31, 1973 the company has acquired an additional 65,565 shares, thereby increasing its interest to 49.5%.

The company's equity in effectively controlled companies has been reduced by its share of their capital transactions and prior period adjustments in 1973 which has been charged to retained earnings. These transactions are as follows:

United Tire & Rubber Co. Limited

41% of share issue expenses written off, net of income taxes	\$20,300
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Resolute Holdings Limited

50% of dividends paid on class A preference shares	29,492
50% of prior period adjustment	8,448

\$58,240

The company's equity also includes the excess of its cost over the underlying net book value of the investees' assets at the dates of acquisition, in the following amounts:

United Tire & Rubber Co. Limited	\$249,092
Resolute Holdings Limited	(40,093)

3. Long term debt

	1973	1972
7-1/2% sinking fund debentures, maturing November 1, 1975	\$ 171,000	\$ 258,500
Bank loan, payable \$70,000 per year, due March 1, 1976	210,000	280,000
Bank loan, payable \$150,000 per year, due June 9, 1976	450,000	600,000
	831,000	1,138,500
Less principal included in current liabilities	305,000	302,500
	\$ 526,000	\$ 836,000

7-1/2% sinking fund debentures

The company is required to pay the Trustee a sum

sufficient to retire \$85,000 in principal amount of debentures in 1974.

Interest is payable on the bank loans at the rate of 1% over prime.

4. Capital stock

Authorized

40,000	First preference shares of \$100 par value, issuable in series
400,000	Convertible second preference shares of \$1 par value
10,000,000	Class A shares without par value
2,020,000	Common shares without par value

Issued

	1973	1972
400,000	Second preference shares (1972, 450,000 shares)	\$ 400,000 \$ 450,000
1,160,251	Common shares	1,195,198 1,195,198
		\$1,595,198 \$1,645,198

The company is required on or before April 30 in each year to set aside as a redemption fund for the redemption of second preference shares an amount equal to 10% of the aggregate par value of second preference shares issued. The aggregate par value of shares purchased for cancellation or converted into common shares shall be applied as a credit in satisfaction in whole or in part of any redemption fund payment. The second preference shares are convertible on the basis of two common shares for each five second preference shares. The company is required to redeem second preference shares to the extent that 50,000 second preference shares are not converted in each year.

In 1973, 50,000 second preference shares were redeemed, thereby reducing the authorized second preference shares by 50,000 shares.

In 1972, 50,000 second preference shares were converted into 20,000 common shares which also resulted in the authorized common shares being increased by 20,000 shares and the authorized second preference shares being reduced by 50,000 shares.

The company has granted the following options as at December 31, 1973:

An option to Charles O. Sherkin to purchase up to but not exceeding 15,000 common shares at \$4 per share at the rate of 5,000 shares on May 1, in each of the years 1975 to 1977.

An option to Joseph Frieberg to purchase up to but not exceeding 12,500 common shares at \$2.05 per share. 2,500 of the optioned shares become available for purchase on October 24 of each year up to 1977 with the option terminating on October 24, 1978.

An option to Robert Scolnick to purchase up to but not exceeding 12,500 common shares at \$2.05 per share. 2,500 of the optioned shares become available for purchase on October 24 of each year up to 1977 with the option terminating on October 24, 1978.

An option to a former employee to purchase up to an aggregate number of 5,000 common shares at a price of \$4.50 per share within the period ending June 14, 1979.

5. Bank Loans

The bank loans are secured by a general assignment of book debts, the common shares representing the company's interests in Resolute Holdings Limited, United Tire & Rubber Co. Limited and Steintron International Electronics Ltd. and the debentures of United Tire & Rubber Co. Limited and Indal Canada Limited owned by the company.

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Notes to Consolidated Financial Statements (Continued)

Year ended December 31, 1973

6. Extraordinary Items

In 1973 the extraordinary income of United Tire & Rubber Co. Limited arose from a reduction of income taxes on application of prior years' losses and from an IRDIA grant.

In 1972 extraordinary loss of United Tire & Rubber Co. Limited arose from pre-production expenses written off and the extraordinary loss of Resolute Holdings Limited arose from the write-off of uncollectible loans to subsidiaries.

7. Earnings per share

Fully diluted earnings per share assuming conversion of the second preference shares and exercise of the share options:

Income before extraordinary items	3¢
Net income for the year	89¢

8. Contingent liabilities

With respect to certain debts of Resolute Holdings Limited, the company is contingently liable as guarantor as follows:

Bank loans	\$210,000
Letters of credit	723,270

9. Subsequent event

On May 8, 1974 the company renegotiated its bank indebtedness whereby it repaid its two term loans and its operating advances and borrowed additional funds thereby increasing its indebtedness to \$1,750,000. Payments are to be made on this new loan on May 1 of each year as set out below.

1975	\$ 150,000
1976	150,000
1977	250,000
1978	250,000
1979	950,000

\$1,750,000

10. Other statutory information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$84,275 (1972, \$121,300).

Auditors' Report

To the Shareholders of
Inter-Provincial Diversified Holdings Limited

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited and subsidiary company as at December 31, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination for Inter-Provincial Diversified Holdings Limited and subsidiary company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on basis consistent with that of the preceding year.

Toronto, Canada
May 15, 1974

Thorne Gunn & Co.
Chartered Accountants

FIVE YEAR FINANCIAL REVIEW

	1973	1972	1971	1970	1969
Resolute Holdings Limited					
Sales	\$ 5,545,741	\$ 5,334,871	\$ 5,014,687	\$ 4,207,210	\$ 4,348,239
Earnings before extraordinary items	(35,755)	(38,260)	56,651	65,325	39,399
Net earnings	(35,755)	(87,348)	56,651	65,325	39,399
Steintron International Electronics Ltd.					
Sales	18,739,000	13,998,000	7,403,000	5,408,000	3,347,000
Earnings before extraordinary items	723,000	429,000	221,000	383,000	328,000
Net earnings	929,000	654,000	221,000	383,000	328,000
United Tire & Rubber Co. Limited					
Sales	18,545,532	16,382,295	15,949,150*	14,951,096	12,255,851
Earnings before extraordinary items	100,691	(422,137)	432,271	263,499	249,234
Net Earnings	287,129	(1,228,979)	432,271	263,499	249,234

*11 months



Inter-Provincial Diversified
Holdings Limited